



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0295426

THE APPLICATION OF BLACKBEARD OPERATING, LLC TO GRANT A BLANKET STATEWIDE RULE 10 EXCEPTION TO ENABLE OPERATORS TO SECURE ADMINISTRATIVE APPROVAL TO DOWNHOLE COMMINGLE THE PRODUCTION FROM THE JANELLE, SE. (TUBB) FIELD, JANELLE, SE. (GLORIETA) FIELD, JANELLE (CLEARFORK) FIELD, AND THE MARSTON RANCH (CLEARFORK) FIELD, WARD COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Terry Johnson – Hearings Examiner

HEARING DATE: May 19, 2015

CONFERENCE DATE: August 25, 2015

APPEARANCES:

Dale Miller

REPRESENTING:

Blackbeard Operating, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Blackbeard Operating, LLC (Blackbeard) seeks a blanket exception to Statewide Rule 10 (16 Tex. Admin. Code §3.10) allowing operators to commingle hydrocarbon production from the Janelle, SE. (Tubb), Janelle, SE. (Glorieta), Janelle (Clearfork), and the Marston Ranch (Clearfork) Fields in Ward County, Texas. The application was not protested. The Examiners recommend Blackbeard's application be granted.

DISCUSSION OF EVIDENCE

Statewide Rule 10(a) provides a general prohibition against the production of hydrocarbons from different strata (*i.e.*, different commission-designated fields) through the same string of tubulars. Statewide Rule 10(b) provides for exceptions to the general prohibition if commingled production will prevent waste or promote conservation or protect correlative rights. Blackbeard is an operator of wells in the four subject fields. Blackbeard anticipates possible commingling production from wells in the future. Therefore, Blackbeard

seeks a blanket exception to ease the administrative burden on operators and Commission staff.

The Janelle, SE,. (Tubb) Field was discovered on October 13, 1962 at a depth of 5,344 feet. The field is currently on Special Rules, which at the productive depth of the field prescribe 80-acre units, 467-foot lease line spacing, and 800-foot between well spacing. The field has demonstrated a cumulative production of 5,488,121 barrels of oil and 24.3 BCF of gas. There are currently fifty-one producing oil wells on the February 2015, proration schedule.

The Janelle SE. (Glorieta) Field was discovered on July 30, 1997, at a depth of 4,513 feet. The current field rules prescribe 40-acre units, 467-foot lease line spacing, and 1,200-foot between well spacing. The field has demonstrated a cumulative production of 299,285 barrels of oil and 1.8 BCF of gas. There are currently ten producing oil wells on the May 2015, proration schedules.

The Janelle (Clearfork) Field was discovered on July 24, 1980, at a depth of 4,560 feet. The field is currently on Statewide Rules, which at the productive depth of the field prescribe 40-acre units, 467-foot lease line spacing, and 1,200-foot between well spacing. As of February 2015, the field has demonstrated a cumulative production of 569,690 barrels of oil and 6.9 BCF of gas. There are currently twelve producing oil wells and one gas well on the May 2015, proration schedules.

The Marston Ranch (Clearfork) Field was discovered on April 25, 1955, at a depth of 4,345 feet. The field is currently on Statewide Rules, which at the productive depth of the field prescribe 40-acre units, 467-foot lease line spacing, and 1,200-foot between well spacing. As of February 2015, the field has demonstrated a cumulative production of 537,081 barrels of oil and 1.2 BCF of gas. There are currently forty-two producing oil wells on the May 2015, proration schedule.

Blackbeard believes there will be crossover of fluids between zones and that pumping can effectively maintain drainage on all four zones. In addition, Blackbeard performed formation fluid sampling and analysis results to assess fluid compatibility. The results indicated the formation fluids from the four zones were compatible and would not result in harm to the recovery of hydrocarbon resources. None of the involved fields are subject to Statewide Rule 36 with regard to hydrogen sulfide.

Without commingling, economic constraints would cause a substantial amount of hydrocarbons to remain in the ground, resulting in waste.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Janelle SE. (Tubb) Field was discovered on October 13, 1962 at a depth of 5,344 feet. There are currently fifty-one producing oil wells on the February 2015, proration schedule.
3. The Janelle SE. (Glorieta) Field was discovered on July30, 1997, at a depth of 4,513 feet. There are ten producing oil wells on the May 2015 proration schedules.
4. The Janelle (Clearfork) Field was discovered on July 24, 1980, at a depth of 4,560 feet. There are currently twelve producing oil wells and one gas well on the June 2015, proration schedules.
5. Blackbeard is an operator of wells in the four subject fields and has obtained exceptions to commingle the four fields.
6. There will be no crossover of fluids between zones and that pumping can effectively maintain drainage on all four zones.
7. The formation fluids from the four zones are compatible and will not harm the recovery of hydrocarbon resources.
8. The involved fields are not subject to Statewide Rule 36 with regard to hydrogen sulfide.
9. Without commingling, economic constraints would cause waste.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 3.10(c)
3. The subject application will prevent waste and protect correlative rights. 16 Tex. Admin. Code § 3.10(b)

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Blackbeard Operating, LLC for a blanket exception to downhole commingle production from the Janelle, SE. (Tubb), Janelle, SE. (Glorieta), Janelle (Clearfork) and the Marston Ranch (Clearfork) Fields in Ward County, Texas.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Terry Johnson
Hearings Examiner